

Mizuho Bank, Ltd. Bangkok Branch  
Report and financial statements  
31 March 2018



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## Independent Auditor's Report

To the Head Office of Mizuho Bank, Ltd. Bangkok Branch

### Opinion

I have audited the accompanying financial statements of Mizuho Bank, Ltd. Bangkok Branch (the Bank), which comprise the statement of financial position as at 31 March 2018, and the related statements of comprehensive income, changes in equity of head office and other branches under the same entity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mizuho Bank, Ltd. Bangkok Branch as at 31 March 2018, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Bank in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am responsible for the audit resulting in this independent auditor's report.



Rachada Yongsawadvanich  
Certified Public Accountant (Thailand) No. 4951

EY Office Limited  
Bangkok: 31 July 2018

**Mizuho Bank, Ltd. Bangkok Branch**

**Statement of financial position**

**As at 31 March 2018**

(Unit: Thousand Baht)

	Note	31 March 2018	31 March 2017
<b>Assets</b>			
Cash		3,616	7,113
Interbank and money market items	6	93,721,109	58,479,250
Derivatives assets	7	13,844,371	13,019,936
Investments - net	8	108,182,992	114,334,300
Loans to customers and accrued interest receivables	9		
Loans to customers		244,270,486	248,269,022
Accrued interest receivables		694,400	732,188
Total loans to customers and accrued interest receivables		244,964,886	249,001,210
<u>Less</u> Deferred revenues		(11,232)	(7,184)
Allowances for doubtful accounts	10	(2,572,198)	(2,908,026)
Loans to customers and accrued interest receivables - net		242,381,456	246,086,000
Leasehold improvements and equipment - net	11	717,436	829,563
Intangible assets - net	12	204,777	181,739
Accrued interest receivables		553,309	487,132
Deferred tax assets	24.1	122,787	107,178
Other assets - net	13	58,237	60,552
<b>Total assets</b>		<b>459,790,090</b>	<b>433,592,763</b>

The accompanying notes are an integral part of the financial statements.

Mizuho Bank, Ltd. Bangkok Branch

Statement of financial position (continued)

As at 31 March 2018

(Unit: Thousand Baht)

	Note	31 March 2018	31 March 2017
<b>Liabilities and equity of head office and other branches under the same entity</b>			
<b>Liabilities</b>			
Deposits	14	229,762,160	271,322,097
Interbank and money market items	15	2,069,037	1,222,353
Liabilities payable on demand		937,022	1,038,800
Derivatives liabilities	7	16,912,206	9,802,724
Provisions for liabilities	16	254,820	232,049
Accrued interest payables		497,141	1,042,064
Income tax payable		264,916	283,651
Deferred tax liabilities	24.1	56,228	80,782
Payable on purchase of securities		-	784,857
Other liabilities	17	669,607	760,773
<b>Total liabilities</b>		<b>251,423,137</b>	<b>286,570,150</b>
<b>Equity of head office and other branches under the same entity</b>			
Funds remitted into Thailand for maintaining assets under section 32 of the Act on Undertaking of Banking business B.E. 2551	18	92,502,731	90,914,219
Net balance of inter-office accounts with head office and other branches under the same entity - net	18	95,988,314	38,080,131
Other component of head office and other branches under the same entity			
Revaluation surplus on available-for-sale investments - net of income taxes	8.2	139,646	204,961
Retained earnings		19,736,262	17,823,302
<b>Total equity of head office and other branches under the same entity</b>		<b>208,366,953</b>	<b>147,022,613</b>
<b>Total liabilities and equity of head office and other branches under the same entity</b>		<b>459,790,090</b>	<b>433,592,763</b>

The accompanying notes are an integral part of the financial statements.

Mizuho Bank, Ltd.  
Bangkok Branch

  
Masayuki Sugawara  
General Manager

General Manager of Bangkok Branch

**Mizuho Bank, Ltd. Bangkok Branch**  
**Statement of comprehensive income**  
**For the year ended 31 March 2018**

(Unit: Thousand Baht )

	Note	2018	2017
<b>Profit or loss:</b>			
Interest income	19	8,908,778	9,700,250
Interest expenses	20	5,383,886	7,331,091
<b>Net interest income</b>		3,524,892	2,369,159
Fees and service income		553,173	513,190
Fees and service expenses		56,707	47,078
<b>Net fees and service income</b>	21	496,466	466,112
Net gains on trading and foreign exchange transactions	22	530,134	1,419,914
Other operating income		747	922
<b>Total operating income</b>		4,552,239	4,256,107
<b>Other operating expenses</b>			
Employee's expenses		814,314	790,651
Premises and equipment expenses		369,545	345,794
Taxes and duties		530,841	417,164
Expenses allocated from head office	27.1	520,553	631,358
Other expenses		157,401	123,911
<b>Total other operating expenses</b>		2,392,654	2,308,878
<b>Bad debts and doubtful accounts (reversal)</b>	23	(193,105)	218,015
<b>Profits before income tax expenses</b>		2,352,690	1,729,214
Income tax expenses	24.2	439,730	504,840
<b>Profits for the years</b>		1,912,960	1,224,374

The accompanying notes are an integral part of the financial statements.

**Mizuho Bank, Ltd. Bangkok Branch**  
**Statement of comprehensive income (continued)**  
**For the year ended 31 March 2018**

(Unit: Thousand Baht )

	2018	2017
<b>Other comprehensive income:</b>		
<i>Items to be subsequently recognised in profit or loss:</i>		
Gain (loss) on revaluation of available-for-sale investments	(81,643)	900,943
Income taxes	16,328	(180,189)
<i>Items to be subsequently recognised in profit or loss</i>		
- net of income taxes	(65,315)	720,754
<i>Items not to be subsequently recognised in profit or loss:</i>		
Actuarial loss	-	(44,176)
Income taxes	-	8,835
<i>Items not to be subsequently recognised in profit or loss</i>		
- net of income taxes	-	(35,341)
<b>Other comprehensive income (loss) for the years</b>	<b>(65,315)</b>	<b>685,413</b>
<b>Total comprehensive income for the years</b>	<b>1,847,645</b>	<b>1,909,787</b>

The accompanying notes are an integral part of the financial statements.

General Manager of Bangkok Branch



Mizuho Bank, Ltd. Bangkok Branch

Statement of change in equity of head office account and other branches under the same entity

For the year ended 31 March 2018

(Unit: Thousand Baht)

	Funds remitted into Thailand for maintaining assets	Net balance of inter-office accounts with head office and other branches under the same entity	Other component of head office and other branches under the same entity - Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	Retained earnings	Total
<b>Balance as at 1 April 2016</b>	92,566,147	37,889,947	(515,793)	16,634,269	146,574,570
Net increase in funds remitted into Thailand	1,737,177	-	-	-	1,737,177
Increase in balance of inter-office accounts with head office and other branches under the same entity	-	190,184	-	-	190,184
Profit for the year	-	-	-	1,224,374	1,224,374
Other comprehensive income (loss) for the year	-	-	720,754	(35,341)	685,413
Total comprehensive income for the year	-	-	720,754	1,189,033	1,909,787
Foreign exchange translation adjustments	(3,389,105)	-	-	-	(3,389,105)
<b>Balance as at 31 March 2017</b>	<u>90,914,219</u>	<u>38,080,131</u>	<u>204,961</u>	<u>17,823,302</u>	<u>147,022,613</u>
<b>Balance as at 1 April 2017</b>	90,914,219	38,080,131	204,961	17,823,302	147,022,613
Net increase in funds remitted into Thailand	9,537,328	-	-	-	9,537,328
Increase in balance of inter-office accounts with head office and other branches under the same entity	-	57,908,183	-	-	57,908,183
Profit for the year	-	-	-	1,912,960	1,912,960
Other comprehensive loss for the year	-	-	(65,315)	-	(65,315)
Total comprehensive income (loss) for the year	-	-	(65,315)	1,912,960	1,847,645
Foreign exchange translation adjustments	(7,948,816)	-	-	-	(7,948,816)
<b>Balance as at 31 March 2018</b>	<u>92,502,731</u>	<u>95,988,314</u>	<u>139,646</u>	<u>19,736,262</u>	<u>208,366,953</u>

The accompanying notes are an integral part of the financial statements.

**Mizuho Bank, Ltd. Bangkok Branch****Statement of cash flows****For the year ended 31 March 2018**

(Unit: Thousand Baht)

	2018	2017
<b>Cash flows from operating activities</b>		
Profits before income tax expenses	2,352,690	1,729,214
Adjustments to reconcile profits before income tax expenses to net cash received (paid) from operating activities		
Depreciation and amortisation	164,236	156,286
Bad debts and doubtful accounts (reversal)	(193,105)	218,015
Provision for contingent liabilities in respect of off-balance commitments	12,664	-
Provision for long-term employee benefits	16,419	10,631
Reversal of provision for removal and restoration costs	-	(1,450)
Loss on disposal of equipment	-	1,462
Loss on equipment written off	-	4,700
Unrealised gains on exchange and financial derivatives contracts	(187,171)	(2,937,853)
Net interest income	(3,524,892)	(2,369,159)
Cash received on interest income	8,604,446	9,357,858
Cash paid on interest expenses	(5,900,079)	(6,579,860)
Cash paid on income taxes	(482,299)	(499,052)
<b>Profit (loss) from operating activities before changes in operating assets and liabilities</b>	<b>862,909</b>	<b>(909,208)</b>
(Increase) decrease in operating assets		
Interbank and money market items	(34,121,071)	19,633,128
Derivatives assets	7,136,468	6,017,914
Loans to customers	3,998,536	(6,827,144)
Other assets	(153,006)	153,502
Increase (decrease) in operating liabilities		
Deposits	(41,559,937)	(28,080,253)
Interbank and money market items	846,684	19,836
Liabilities payable on demand	(101,777)	154,371
Derivatives liabilities	(5,555,251)	(5,102,678)
Other liabilities	(744,785)	732,738
<b>Net cash used in operating activities</b>	<b>(69,391,230)</b>	<b>(14,207,794)</b>

The accompanying notes are an integral part of the financial statements.

**Mizuho Bank, Ltd. Bangkok Branch**  
**Statement of cash flows (continued)**  
**For the year ended 31 March 2018**

(Unit: Thousand Baht)

	2018	2017
<b>Cash flows from investing activities</b>		
Cash paid for purchases of investments	(104,457,283)	(92,716,629)
Cash received on investments	107,614,921	102,048,707
Cash paid for purchases of equipment	(10,769)	(101,600)
Cash received on disposal of equipment	-	110
Cash paid for purchases of intangible assets	(64,378)	(102,818)
<b>Net cash provided by investing activities</b>	<b>3,082,491</b>	<b>9,127,770</b>
<b>Cash flows from financing activities</b>		
Cash paid on borrowings	-	(173,000)
Net increase in funds remitted into Thailand	9,537,327	1,737,177
Net increase in net balance of inter-office accounts with head office and other branches under the same entity	57,908,183	190,184
<b>Net cash provided by financing activities</b>	<b>67,445,510</b>	<b>1,754,361</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,136,771</b>	<b>(3,325,663)</b>
<b>Cash and cash equivalents at beginning of the years</b>	<b>2,456,152</b>	<b>5,781,815</b>
<b>Cash and cash equivalents at end of the years (Note 26)</b>	<b>3,592,923</b>	<b>2,456,152</b>

The accompanying notes are an integral part of the financial statements.

**Mizuho Bank, Ltd. Bangkok Branch**

**Notes to financial statements**

**For the year ended 31 March 2018**

**1. The Bank's information**

The Ministry of Finance granted Mizuho Bank, Ltd. Bangkok Branch ("the Bank") a license to carry out domestic banking business through Mizuho Bank, Ltd. Bangkok Branch under the Commercial Banking Act B.E. 2505.

The Bank's registered address is 98 Sathorn Square Office Tower, 32nd - 35th Floors, North Sathorn Road, Silom Sub-district, Bangrak District, Bangkok. The Bank has another branch, which is Eastern Seaboard Branch.

**2. Basis for preparation of financial statements**

These financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and with reference to the principles stipulated by the Bank of Thailand ("BOT") and the presentation of the financial statements has been made in compliance with the BOT's Notification No. Sor Nor Sor. 21/2558 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", dated 4 December 2015.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 to the financial statements regarding a summary of significant accounting policies.

The financial statements in Thai language are the official statutory financial statements of the Bank. The financial statements in English language have been translated from the financial statements in Thai language.

### **3. New financial reporting standards**

#### **3.1 Financial reporting standards that became effective in the current year**

During the year, the Bank has adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Bank's financial statements.

#### **3.2 Financial reporting standard that will become effective in the future**

The Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosure in the notes to financial statements. The management of the Bank believes that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

### **4. Summary of significant accounting policies**

#### **4.1 Revenue recognition**

##### **(a) Interest and discounts on loans to customers**

Interest on loans to customers is recognised as revenue on an accrual basis and is based on the amount of principal outstanding. The Bank ceases accruing interest income for loans to customers on which principal or interest payments have been defaulted for more than three months and reverses accrued interest income previously recognised as revenue from the Bank's accounts. Interest is then recognised as revenue on a cash basis.

Interest or discounts, which are already included in the face values of notes receivable or loans to customers, are recorded as deferred revenues and taken up as revenues evenly throughout the terms of the notes or loans to customers or proportionately according to the collected amounts.

(b) Interest on investments

Interest on investments is recognised as revenue on an accrual basis.

(c) Fees and service income

Fees and service income is recognised as revenue on an accrual basis.

(d) Gains on securities and derivatives trading

Gains (losses) on securities and derivatives trading are recognised as revenues or expenses on the transaction dates.

#### **4.2 Expenses recognition**

(a) Interest expenses

Interest expenses are charged as expenses on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest expenses and amortised to expenses evenly throughout the term of the notes.

(b) Fees and service expenses

Fees and service expenses are recognised as expenses on an accrual basis.

#### **4.3 Cash and cash equivalents**

Cash and cash equivalents in statements of cash flows consist of cash and deposits at banks with an original maturity period of three months or less, excluded cash and deposits at banks that are placed as collateral.

#### **4.4 Investments**

Available-for-sale investments are presented at fair value. Changes in fair value of these investments are recorded in other comprehensive income or loss, and will be recognised in profit or loss when the investments are sold.

Premiums/discounts on debt securities are amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

The fair value of government and state enterprise securities and foreign debt securities are determined in accordance with the BOT's regulations, which is based on market prices or the yield rates quoted in the market.

The Bank recognises losses on impairment (if any) of investments in profit or loss.

The Bank records purchase and sale transactions on debt securities on trade dates and uses the weighted average method for computation of the cost of investments when the investments are sold.

#### **4.5 Securities purchased under resale agreements**

The Bank enters into agreements to purchase securities, whereby there are agreements to resell those securities at certain dates, time and at a fixed price in the future. Amounts paid for securities purchased under resale agreements are presented as assets under the caption of "Interbank and money market items" or "Loan", depending on the types of counterparties and the underlying securities are treated as collateral to such receivables.

#### **4.6 Loans**

The Bank presents loans at principal balances, excluding accrued interest receivables, except for overdraft which are presented at the principal balances plus accrued interest receivables. Unrecognised deferred revenues and discounts on loans are deducted from the loan balances.

#### **4.7 Allowances for doubtful accounts**

(a) The Bank provides allowances for doubtful accounts in accordance with the Notifications of the BOT on loans that are expected not to be collectible, based on analysis and evaluation of the current status of the debtors, taking into consideration the recovery risk, the value of collateral, and current economic conditions which could affect the debtor's ability to repay loans. Increase (decrease) in allowances for doubtful accounts is recognised as an addition or (a deduction) to expense during the year.

The Bank sets allowances for doubtful accounts for normal loans and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivables) net of collateral value as determined in accordance with the BOT's guidelines.

For non-performing loans, which are classified as substandard, doubtful and doubtful of loss, the Bank records allowances for doubtful accounts at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or the present value of expected cash flows from collateral disposal. The present values are determined using the discount rates and expected times required on collateral disposals in accordance with the BOT's guidelines.

(b) Amounts written off as bad debts and amounts of bad debt recovered are deductions against or additions to allowances for doubtful accounts.

#### **4.8 Leasehold improvements and equipment and depreciation**

Leasehold improvements and equipment are stated at cost less accumulated depreciation and less allowance for impairment losses (if any). The cost includes items directly incurred for assets to be in place and ready for use and the estimated removal and restoration costs as a result of obligations arising from the use of assets.

Depreciation is calculated with reference to their costs on a straight-line basis over their estimated useful lives or lease periods of 5 - 12 years.

Depreciation is recognised as expenses in profit or loss.

An item of leasehold improvement and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised as revenue or expenses in profit or loss when the asset is derecognised.

No depreciation is provided for construction in progress.

#### **4.9 Intangible assets and amortisation**

Intangible assets are stated at cost less accumulated amortisation and allowance for impairment losses (if any).

The Bank amortises intangible assets with finite lives on a systematic basis over their economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expenses and loss on impairment are recognised as expenses in profit or loss.

The Bank's intangible assets with finite useful lives are computer softwares, which have an estimated useful life of approximately 5 years.

No amortisation for computer softwares under development.



#### **4.10 Impairment of assets**

The Bank assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank realises loss on impairment in profit or loss when the asset's recoverable amount is less than the carrying value. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Bank could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

#### **4.11 Employee benefits**

(a) Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

(b) Post-employment benefits and other long-term benefits

*Defined contribution plan*

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

*Defined benefit plan and other long-term benefit plan*

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other long-term benefit plan. The Bank treats its severance payment obligation as a defined benefit plan.

The obligations under the defined benefit plan and other long-term benefit plan are determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from the defined benefit plan are recognised immediately in other comprehensive income and from other long-term benefit plan are recognised immediately in profit or loss.

#### **4.12 Provisions for liabilities**

Provisions for liabilities are recognised when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.13 Foreign currencies**

The financial statements are presented in Baht, which is also the Bank's functional currency.

Foreign currency transactions have been translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of the financial reporting periods.

Gains and losses on translation of foreign currencies transactions are recognised in profit or loss.

#### **4.14 Financial derivatives**

The Bank has entered into financial derivatives transactions in order to respond to customers' needs and manages the risk of the Bank.

Forward foreign currency contracts, which are originated for trading purposes, are recorded as off-balance items. Gains or losses arising from changes in the fair value of these contracts are recognised in profit or loss. Fair value is determined based on an average rate of buying and selling rates for the remaining period of each contract.

Interest rate swap contracts, cross currency and interest rate swap contracts, interest rate option contracts and currency option contracts, which are originated in response to customers' needs, are recorded as off-balance items. Gains or losses arising from changes in the fair value of these contracts are recognised in profit or loss. Fair value is determined using the discounted cash flows technique.

Forward foreign currency contracts, interest rate swap contracts and cross currency and interest rate swap contracts, which are not originated for trading purposes, are recorded as off-balance items whereby the foreign currency components are measured at the exchange rates ruling at the end of financial reporting periods and the interest components are recognised on an accrual basis in the same way as those recognised for the underlying hedged assets or liabilities.

#### **4.15 Credit and debit valuation adjustments on derivatives**

The Bank adjusts fair value of credit risk on derivatives taking into accounts credit risk of its counterparty (Credit Valuation Adjustment or CVA) and debit risk on derivatives taking into accounts its own credit risk (Debit Valuation Adjustment or DVA). Determination of such fair value reflects probability of default and loss given default of each counterparty. Change in fair value of credit risk on derivatives for both counterparties will be recognised in profit or loss.

#### **4.16 Operating leases**

Long-term leases of assets which do not transfer a significant portion of the risks and rewards of ownership of such assets to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised on a straight-line basis over the lease period in profit or loss.

#### **4.17 Income taxes**

Income tax expenses represent the sum of corporate income tax currently payable and deferred taxes.

(a) Current income taxes

Current income taxes are provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

(b) Deferred taxes

Deferred taxes are provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting periods.

The Bank recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences can be utilised.

At each reporting date, the Bank reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of deferred tax assets to be utilised.

The Bank records deferred taxes directly to equity of head office account and other branches under the same entity if the taxes relate to items that are recorded directly to equity of head office account and other branches under the same entity.

#### **4.18 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Bank applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Bank measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Bank determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

#### **4.19 Related party transactions**

Related parties comprise individuals or enterprises that control or are controlled by the Bank, whether directly or indirectly, or which are under common control with the Bank.

They also included individuals or enterprises which directly or indirectly own a voting interest in the Bank that gives them significant influence over the Bank, key management personnel, directors or officers with authority in the planning and direction of the Bank's operations.

#### **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ. Significant accounting judgements and estimates are as follows:

### **5.1 Recognition and derecognition of assets and liabilities**

When considering the recognition and derecognition of assets or liabilities, the management is required to use judgement on whether risk and rewards of those assets and liabilities have been transferred, based on their best knowledge of current events and arrangements.

### **5.2 Allowances for doubtful accounts on loans to customers**

Allowances for doubtful accounts on loans to customers are intended to adjust the value of loans for probable credit losses. The management uses the BOT's regulation regarding allowances for doubtful accounts and also judgements to estimate losses to be incurred on loans to customers when there is any doubt about the borrower's capability to repay the principal and/or the interest. The allowances for doubtful accounts are determined through a combination of credit reviews of each borrower, probability of default, value of collateral and current economic conditions.

### **5.3 Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques. The input to the models used is taken from observable markets, and includes consideration of credit risk, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

### **5.4 Fair value of credit risk on derivatives**

In determining fair value of credit risk on derivatives for both counterparties, the management exercises judgement, using techniques and models. In valuation, the variables used may be derived from classification of customers and benchmarking with variables available in the market, taking into consideration credit risk of counterparty, terms of cashflows, probability of default, etc. The change in assumptions used to derive those variables may affect fair value as presented in the financial statements.

## **5.5 Leasehold improvements, equipment and depreciation**

In determining depreciation of leasehold improvements and equipment, the management is required to make estimates of the useful lives and salvage values of the leasehold improvements and equipment and to review estimate useful lives and salvage values when circumstance changes.

In addition, the Bank sets up an allowance for impairment losses on leasehold improvements and equipment when the management determines that there is the indication of impairment exists on these assets and record impairment losses in the period when it is determined that their recoverable amounts are lower than the carrying values. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

## **5.6 Finance lease/Operating lease**

In determining whether a lease is to be classified as an operating lease or a finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred to the Bank for being as the lessee to the leased asset, taking into consideration terms and conditions of the arrangement.

## **5.7 Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

## **5.8 Provisions for long-term employee benefits**

The obligations under the defined benefit plan and other long-term benefit plan are determined using actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary incremental rate, mortality rate, inflation rate, and staff turnover rate, based on their best knowledge at current situation.

## 6. Interbank and money market items (assets)

(Unit: Thousand Baht)

	31 March 2018			31 March 2017		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial						
Institutions Development Fund	1,749,437	-	1,749,437	1,138,351	-	1,138,351
Commercial banks	1,942,500	54,396,438	56,338,938	1,200,286	46,879,011	48,079,297
Specialised financial institutions	10	30,105,000	30,105,010	10	8,000,000	8,000,010
Other financial institutions	-	500,000	500,000	-	-	-
<b>Total</b>	<b>3,691,947</b>	<b>85,001,438</b>	<b>88,693,385</b>	<b>2,338,647</b>	<b>54,879,011</b>	<b>57,217,658</b>
<u>Add</u> Accrued interest receivables	1,986	15,895	17,881	278	26,843	27,121
<u>Less</u> Allowances for doubtful accounts	(19,000)	(83,583)	(102,583)	(11,000)	(100,321)	(111,321)
<b>Total domestic items</b>	<b>3,674,933</b>	<b>84,933,750</b>	<b>88,608,683</b>	<b>2,327,925</b>	<b>54,805,533</b>	<b>57,133,458</b>
<b>Foreign</b>						
US dollars	300,562	3,336,160	3,636,722	438,246	133,208	571,454
Euro	533,248	-	533,248	294,794	-	294,794
Australian dollars	636,293	-	636,293	189,514	-	189,514
Hong Kong dollars	112,476	-	112,476	20,765	-	20,765
Other currencies	214,781	-	214,781	267,073	4,308	271,381
<b>Total</b>	<b>1,797,360</b>	<b>3,336,160</b>	<b>5,133,520</b>	<b>1,210,392</b>	<b>137,516</b>	<b>1,347,908</b>
<u>Add</u> Accrued interest receivables	-	13,166	13,166	-	15	15
<u>Less</u> Deferred revenues	-	(907)	(907)	-	(763)	(763)
Allowances for doubtful accounts	-	(33,353)	(33,353)	-	(1,368)	(1,368)
<b>Total foreign items</b>	<b>1,797,360</b>	<b>3,315,066</b>	<b>5,112,426</b>	<b>1,210,392</b>	<b>135,400</b>	<b>1,345,792</b>
<b>Total domestic and foreign items</b>	<b>5,472,293</b>	<b>88,248,816</b>	<b>93,721,109</b>	<b>3,538,317</b>	<b>54,940,933</b>	<b>58,479,250</b>

As at 31 March 2018, the Bank had loans to interbank and money market amounting to Baht 90,238 million and allowances for doubtful accounts provided in accordance with the BOT's guidelines amounting to Baht 136 million. All of the loans were classified as normal (31 March 2017: Loans amounted to Baht 56,117 million and allowances for doubtful accounts amounted to Baht 113 million. All of the loans were classified as normal.).

## 7. Derivatives

As at 31 March 2018 and 2017, the notional amounts, the fair values of derivatives held for trading, and the adjustments made on an accrual basis of derivatives held for hedging (banking book) were classified by types of risk as follow.

(Unit: Thousand Baht)

	31 March 2018			31 March 2017		
	Fair values/Adjustments made on		Notional	Fair values/Adjustments made on		Notional
	an accrual basis			an accrual basis		
	Assets	Liabilities	Amount <sup>(1)</sup>	Assets	Liabilities	Amount <sup>(1)</sup>
<b>Types of risk:</b>						
<b>Foreign exchange rate</b>						
Derivatives for trading	12,197,401	11,433,536	795,140,395	10,469,492	7,463,117	795,117,714
Derivatives for banking book	85,411	3,275,476	17,382,357	992,296	546,928	16,495,376
<b>Interest rate</b>						
Derivatives for trading	1,561,559	2,203,194	662,351,243	1,558,148	1,792,679	643,138,208
Derivatives for banking book	-	-	27,000,000	-	-	23,700,000
<b>Total</b>	<b>13,844,371</b>	<b>16,912,206</b>	<b>1,501,873,995</b>	<b>13,019,936</b>	<b>9,802,724</b>	<b>1,478,451,298</b>

<sup>(1)</sup> Disclosed only in case that the Bank has an obligation to pay

Derivatives held for hedging (banking book) are obligations under forward contracts, which are not held for trading, and are measured on an accrual basis. For foreign currency components, gains or losses on exchange at the end of the reporting periods are presented under "Derivatives assets" or "Derivatives liabilities". For interest components, they are presented as a part of "Accrued interest receivables" or "Accrued interest payables" in statements of financial position.

Fair values and the adjustments made on an accrual basis for derivatives made with counterparties, who are head office and other branches under the same entity, are presented under inter-office accounts with head office and other branches under the same entity.

As at 31 March 2018 and 2017, proportions of derivatives transactions classified by types of counterparties, determined based on the notional amount, are as follows.

(Unit: Percent)

Counterparties	31 March 2018	31 March 2017
Financial institutions	65	70
Companies within the Group <sup>(1)</sup>	19	15
Third parties	16	15
<b>Total</b>	<b>100</b>	<b>100</b>

<sup>(1)</sup> Head office or other branches under the same entity



## 8. Investments

### 8.1 Classified by type of investment

	(Unit: Thousand Baht)			
	31 March 2018		31 March 2017	
	Cost	Fair value	Cost	Fair value
<b>Available-for-sale investments</b>				
Government and state enterprise securities	81,617,563	81,781,159	80,661,550	80,857,993
Foreign debt securities	26,390,871	26,401,833	33,416,549	33,476,307
Total	108,008,434	108,182,992	114,078,099	114,334,300
<u>Add</u> Revaluation allowance	174,558	-	256,201	-
Investments - net	108,182,992	108,182,992	114,334,300	114,334,300

### 8.2 Revaluation surplus on available-for-sale investments

	(Unit: Thousand Baht)	
	31 March 2018	31 March 2017
Revaluation surplus on investments in debt securities	196,331	342,505
Revaluation deficit on investments in debt securities	(21,773)	(86,304)
Revaluation surplus on available-for-sale investments	174,558	256,201
<u>Less</u> Income taxes	(34,912)	(51,240)
Revaluation surplus on available-for-sale investments - net	139,646	204,961

### 8.3 Investments subject to obligation

As at 31 March 2018 and 2017, investments in government and state enterprise securities and foreign debt securities totalling Baht 90,550 million and Baht 90,236 million, respectively, are maintained as assets under Section 32 of the Act on Undertaking of Banking Business B.E. 2551.

## 9. Loans to customers and accrued interest receivables

### 9.1 Classified by loan type

	(Unit: Thousand Baht)	
	31 March 2018	31 March 2017
Overdrafts	2,714	1,788
Loans	237,481,222	242,093,734
Discounted bills	6,786,550	6,173,500
Total loans to customers	244,270,486	248,269,022
<u>Less</u> Deferred revenues	(11,232)	(7,184)
Total loans to customers net from deferred revenue	244,259,254	248,261,838
<u>Add</u> Accrued interest receivable	694,400	732,188
Total loans to customers net from deferred revenues and accrued interest receivables	244,953,654	248,994,026
<u>Less</u> Allowances for doubtful accounts - Provision at BOT's minimum required rates	(2,572,198)	(2,908,026)
Loans to customers and accrued interest receivables - net	242,381,456	246,086,000

### 9.2 Classified by currency and borrowers' residency

	(Unit: Thousand Baht)					
	31 March 2018			31 March 2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	135,031,671	-	135,031,671	131,005,448	-	131,005,448
US Dollar	90,281,426	812,027	91,093,453	114,138,575	699,613	114,838,188
Yen	10,289,788	-	10,289,788	1,884,979	-	1,884,979
Other currencies	7,844,342	-	7,844,342	533,223	-	533,223
Total loans to customers net from deferred revenues	243,447,227	812,027	244,259,254	247,562,225	699,613	248,261,838

### 9.3 Classified by business type and loan classification

(Unit: Thousand Baht)

	31 March 2018					Total
	Normal	Special Mention	Sub- standard	Doubtful	Doubtful of loss	
	Agricultural and mining	4,304,373	-	-	-	
Manufacturing and commerce	108,681,857	5,743,681	-	-	-	114,425,538
Real estate and construction	7,602,497	-	-	94,000	-	7,696,497
Public utilities and service	54,541,117	4,922,550	-	-	-	59,463,667
Others	56,909,786	1,459,393	-	-	-	58,369,179
Total loans to customers net from deferred revenues	<u>232,039,630</u>	<u>12,125,624</u>	<u>-</u>	<u>94,000</u>	<u>-</u>	<u>244,259,254</u>

(Unit: Thousand Baht)

	31 March 2017					Total
	Normal	Special Mention	Sub- standard	Doubtful	Doubtful of loss	
	Agricultural and mining	4,734,657	-	-	-	
Manufacturing and commerce	109,927,821	6,585,786	-	229,000	-	116,742,607
Real estate and construction	8,364,996	-	-	118,000	-	8,482,996
Public utilities and service	51,948,206	354,200	-	-	-	52,302,406
Others	64,784,339	1,214,833	-	-	-	65,999,172
Total loans to customers net from deferred revenues	<u>239,760,019</u>	<u>8,154,819</u>	<u>-</u>	<u>347,000</u>	<u>-</u>	<u>248,261,838</u>

### 9.4 Non-performing loans

As at 31 March 2018 and 2017, the Bank had non-performing loans classified in accordance with the BOT's guidelines (including loans classified as sub-standard, doubtful and doubtful of loss, but excluding accrued interest receivables) as follows:

(Unit: Thousand Baht)

	31 March 2018	31 March 2017
Non-performing loans before allowances for doubtful accounts	94,000	347,000

As at 31 March 2018 and 2017, the Bank did not have loans to customers classified as "Normal" and "Special mention" on which interest income recognition under an accrual basis has been discontinued.

## 9.5 Classified by loan classification

As at 31 March 2018 and 2017, the Bank's loans and allowances for doubtful accounts, classified in accordance with the BOT's guidelines, are as below.

(Unit: Thousand Baht)

31 March 2018				
	Net balance used		Minimum	Allowances for
	Loans to customers and accrued interest receivables <sup>(1)</sup>	in setting up allowance for doubtful accounts <sup>(2)</sup>	percentage required by BOT	doubtful accounts
			(%)	
Normal	232,676,473	232,039,630	1	2,320,396
Special mention	12,182,892	7,875,625	2	157,513
Sub-standard	-	-	100	-
Doubtful	94,289	94,289	100	94,289
Doubtful of loss	-	-	100	-
<b>Total</b>	<b>244,953,654</b>	<b>240,009,544</b>		<b>2,572,198</b>

(Unit: Thousand Baht)

31 March 2017				
	Net balance used		Minimum	Allowances for
	Loans to customers and accrued interest receivables <sup>(1)</sup>	in setting up allowance for doubtful accounts <sup>(2)</sup>	percentage required by BOT	doubtful accounts
			(%)	
Normal	240,456,454	239,760,019	1	2,397,600
Special mention	8,190,243	8,154,819	2	163,097
Sub-standard	-	-	100	-
Doubtful	347,329	347,329	100	347,329
Doubtful of loss	-	-	100	-
<b>Total</b>	<b>248,994,026</b>	<b>248,262,167</b>		<b>2,908,026</b>

<sup>(1)</sup> Loans to customers net from deferred revenues plus accrued interest receivables.

<sup>(2)</sup> The net balance used in setting allowances for doubtful accounts for loans classified as "Normal" and "Special mention" is the principal balance net from deferred revenues, excluding accrued interest receivables, and after deducting collateral values, while loans classified as "Substandard", "Doubtful" and "Doubtful of loss", it is the principal balance net from deferred revenues plus accrued interest receivables, and after deducting the present value of expected future cash flows from debt collection or from disposal of collaterals.

## 10. Allowances for doubtful accounts

(Unit: Thousand Baht)

	For the year ended 31 March 2018					
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Balance - beginning of the year	2,397,600	163,097	-	347,329	-	2,908,026
Increase (decrease) during the year	33,934	(4,511)	-	(253,040)	-	(223,617)
Foreign exchange translation	(111,138)	(1,073)	-	-	-	(112,211)
Balance - end of the year	<u>2,320,396</u>	<u>157,513</u>	<u>-</u>	<u>94,289</u>	<u>-</u>	<u>2,572,198</u>

(Unit: Thousand Baht)

	For the year ended 31 March 2017					
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Balance - beginning of the year	2,302,038	164,599	-	247,015	-	2,713,652
Increase (decrease) during the year	126,838	(902)	339	100,314	-	226,589
Foreign exchange translation	(31,276)	(600)	(339)	-	-	(32,215)
Balance - end of the year	<u>2,397,600</u>	<u>163,097</u>	<u>-</u>	<u>347,329</u>	<u>-</u>	<u>2,908,026</u>

## 11. Leasehold improvements and equipment

(Unit: Thousand Baht)

	Leasehold improvements	Office equipment	Computer equipment	Construction In progress	Total
<b>Cost</b>					
1 April 2016	255,231	65,943	230,459	723,062	1,274,695
Additions	-	-	82,409	18,691	101,100
Transfer in/(transfer out)	620,013	107,370	14,370	(741,753)	-
Disposal/Write-off	(227,120)	(38,241)	(72,499)	-	(337,860)
31 March 2017	648,124	135,072	254,739	-	1,037,935
Additions	-	3,260	7,509	-	10,769
Disposals/Write-off	-	(173)	-	-	(173)
31 March 2018	648,124	138,159	262,248	-	1,048,531
<b>Accumulated depreciation</b>					
1 April 2016	235,119	46,790	141,121	-	423,030
Depreciation charged for the year	56,297	25,620	35,513	-	117,430
Accumulated depreciation on disposals/write-off	(223,247)	(36,378)	(72,463)	-	(332,088)
31 March 2017	68,169	36,032	104,171	-	208,372
Depreciation charged for the year	56,967	26,460	39,469	-	122,896
Accumulated depreciation on disposals/write-off	-	(173)	-	-	(173)
31 March 2018	125,136	62,319	143,640	-	331,095
<b>Net book value</b>					
31 March 2017	579,955	99,040	150,568	-	829,563
31 March 2018	522,988	75,840	118,608	-	717,436
<b>Depreciation charged in profit or loss for the years ended</b>					
31 March 2017					117,430
31 March 2018					122,896

As at 31 March 2018 and 2017, the Bank had certain items of leasehold improvements and equipment, which were fully depreciated but were still in use. The original costs, before deducting accumulated depreciation, of those assets amounted to approximately Baht 81 million and Baht 63 million, respectively.

## 12. Intangible assets

(Unit: Thousand Baht)

	Computer softwares	Computer softwares under development	Total
<b>Cost</b>			
1 April 2016	236,663	42,916	279,579
Additions	81,021	21,797	102,818
Transfers in/(Transfers out)	23,162	(23,162)	-
31 March 2017	340,846	41,551	382,397
Additions	37,378	27,000	64,378
Transfers in/(Transfers out)	28,507	(28,507)	-
31 March 2018	406,731	40,044	446,775
<b>Accumulated amortisation</b>			
1 April 2016	161,802	-	161,802
Amortisation for the year	38,856	-	38,856
31 March 2017	200,658	-	200,658
Amortisation for the year	41,340	-	41,340
31 March 2018	241,998	-	241,998
<b>Net book value</b>			
31 March 2017	140,188	41,551	181,739
31 March 2018	164,733	40,044	204,777
<b>Amortisation expenses included in profit or loss for the years ended</b>			
31 March 2017			38,856
31 March 2018			41,340

As at 31 March 2018 and 2017, computer softwares had remaining amortisation periods of 0 - 5 years.

As at 31 March 2018 and 2017, the Bank had computer softwares, which were fully amortised but were still in use. The original costs, before deducting accumulated amortisation, of those assets amounted to approximately Baht 153 million and Baht 141 million, respectively.

### 13. Other assets

	(Unit: Thousand Baht)	
	31 March 2018	31 March 2017
Deposits	27,565	28,583
Accrued fees receivable	28,512	22,988
Others	2,163	9,047
<b>Total</b>	<b>58,240</b>	<b>60,618</b>
<u>Less Allowance for impairment</u>	<u>(3)</u>	<u>(66)</u>
<b>Other assets - net</b>	<b>58,237</b>	<b>60,552</b>

### 14. Deposits

#### 14.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	31 March 2018	31 March 2017
Demand deposits	5,973,953	4,571,832
Saving deposits	85,584,734	78,328,784
Term deposits	138,203,473	188,421,481
<b>Total deposits</b>	<b>229,762,160</b>	<b>271,322,097</b>

#### 14.2 Classified by currency and depositors' residency

	(Unit: Thousand Baht)					
	31 March 2018			31 March 2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	162,746,751	15,083	162,761,834	231,130,135	11,550	231,141,685
US dollar	59,290,170	3,007,211	62,297,381	37,340,060	9,648	37,349,708
Yen	3,364,956	79	3,365,035	2,124,375	237	2,124,612
Other currencies	1,337,910	-	1,337,910	706,092	-	706,092
<b>Total deposits</b>	<b>226,739,787</b>	<b>3,022,373</b>	<b>229,762,160</b>	<b>271,300,662</b>	<b>21,435</b>	<b>271,322,097</b>



## 15. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	31 March 2018			31 March 2017		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Commercial banks	1,600,225	-	1,600,225	500,225	344,501	844,726
Specialised financial institutions	284,000	-	284,000	-	-	-
Other financial institutions	82,279	15,000	97,279	292,980	3,000	295,980
Total domestic items	1,966,504	15,000	1,981,504	793,205	347,501	1,140,706
<b>Foreign</b>						
Baht	87,533	-	87,533	81,647	-	81,647
Total foreign items	87,533	-	87,533	81,647	-	81,647
Total domestic and foreign items	2,054,037	15,000	2,069,037	874,852	347,501	1,222,353

## 16. Provisions for liabilities

(Unit: Thousand Baht)

	For the year ended 31 March 2018			
	Provision for long-term employee benefits	Provision for contingent liabilities in respect of off-balance commitments	Provision for removal and restoration costs	Total
Balance as at 1 April 2017	123,049	-	109,000	232,049
Increase during the year	16,419	15,720	-	32,139
Decrease during the year	-	(3,056)	-	(3,056)
Paid during the year	(6,312)	-	-	(6,312)
Balance as at 31 March 2018	133,156	12,664	109,000	254,820

(Unit: Thousand Baht)

	For the year ended 31 March 2017			Total
	Provision for long-term employee benefits	Provision for contingent liabilities in respect of off-balance commitments	Provision for removal and restoration costs	
Balance as at 1 April 2016	69,753	-	180,000	249,753
Increase during the year	54,807	-	-	54,807
Decrease during the year	-	-	(1,450)	(1,450)
Paid during the year	(1,511)	-	(69,550)	(71,061)
Balance as at 31 March 2017	123,049	-	109,000	232,049

### **Provision for long-term employee benefits**

Provision for long-term employee benefits is obligations on compensations on employees upon retirement and other long-term benefit plan, the movements of which can be summarised as follows:

	For the years ended 31 March	
	2018	2017
<b>Defined benefit obligations at beginning of the years</b>	123,049	69,753
Included in profit or loss:		
Current service cost	12,745	7,553
Interest cost	3,674	2,856
Actuarial loss arising from		
- Financial assumptions changes	-	47
- Experience adjustments	-	175
Included in other comprehensive income:		
Actuarial loss arising from		
- Financial assumptions changes	-	15,281
- Experience adjustments	-	28,895
Benefits paid during the years	(6,312)	(1,511)
<b>Defined benefit obligations at end of the years</b>	133,156	123,049

As at 31 March 2018 and 2017, the Bank expected to pay Baht 0.7 million and Baht 6 million on long-term employee benefits during the next one year.

Principal actuarial assumptions at the valuation dates were as follows:

	31 March 2018	31 March 2017
	(% per annum)	(% per annum)
Average discount rate	3.0625	3.0625
Future salary incremental rates	6.00 - 9.00	6.00 - 9.00
Staff turnover rate (depend on employee's age)	0.00 - 25.00	0.00 - 25.00

The result of sensitivity analysis on principal assumptions to the present value of employee benefit obligations as at 31 March 2018 and 2017 were summarised below:

Principal assumptions	(Unit: Thousand Baht)	
	Increase (decrease) in provision for long-term employee benefits as at	
	31 March 2018	31 March 2017
Average discount rate increased by 1%	(10,907)	(10,425)
Average discount rate decreased by 1%	12,432	11,915
Future salary incremental rates increased by 1%	13,232	11,385
Future salary incremental rates decreased by 1%	(11,803)	(10,190)
Staff turnover rate increased by 20%	(9,023)	(7,603)
Staff turnover rate decreased by 20%	10,353	8,674

As at 31 March 2018 and 2017, the weighted average duration of employee benefit obligations were 10.7 years and 10.7 years, respectively.

## 17. Other liabilities

	(Unit: Thousand Baht)	
	31 March 2018	31 March 2017
Revenue received in advance	329,850	258,502
Contribution payables to the Deposit Protection Agency and the Bank of Thailand	192,600	378,500
Accrued expenses	147,157	123,771
Total other liabilities	669,607	760,773

## 18. Capital funds

The primary objective of the Bank's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

As at 31 March 2018 and 2017, funds remitted into Thailand for maintaining assets under Section 32 of the Act on Undertaking of Banking business B.E. 2551 were as follows:

	(Unit: Thousand Baht)	
	31 March 2018	31 March 2017
<u>Funds remitted into Thailand</u>		
Funds from head office	10,670,800	10,670,800
Borrowings from other branches under the same entity	81,831,931	80,243,419
Total	92,502,731	90,914,219

As at 31 March 2018 and 2017, the Bank's capital adequacy ratios in accordance with the Act on Undertaking of Banking business B.E. 2551 were as follows:

	(Unit: Thousand Baht)	
	31 March 2018	31 March 2017
1. Assets required to be maintained under Section 32 (Note 8.3)	90,549,809	90,236,202
2. Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts	186,136,684	127,496,948
2.1 Net capital for maintenance of assets under Section 32	90,148,370	89,416,817
2.2 Net balance of inter-office accounts which are debtor (creditor) balances to the head office and other branches located in other countries, the parent company and subsidiaries of the head office	95,988,314	38,080,131
3. Total regulatory capital (3.1 - 3.2)	89,943,593	89,235,078
3.1 Total regulatory capital before deduction items (the lowest amount among item 1, item 2 and item 2.1)	90,148,370	89,416,817
3.2 Deduction items	(204,777)	(181,739)

## 19. Interest income

(Unit: Thousand Baht)

	For the years ended 31 March	
	2018	2017
Interest income incurred on:		
Interbank and money market items	1,156,264	2,443,149
Investments in debt securities	1,960,388	2,182,791
Loans to customers	5,789,406	5,070,710
Others	2,720	3,600
Total interest income	8,908,778	9,700,250

## 20. Interest expenses

(Unit: Thousand Baht)

	For the years ended 31 March	
	2018	2017
Interest expenses incurred on:		
Deposits	2,211,716	4,313,528
Interbank and money market items	2,302,520	1,487,539
Contribution fees to the Deposit Protection Agency and the Bank of Thailand	869,650	1,529,175
Others	-	849
Total interest expenses	5,383,886	7,331,091

## 21. Net fees and service income

(Unit: Thousand Baht)

	For the years ended 31 March	
	2018	2017
Fees and service income on:		
Acceptance, aval and guarantees	72,353	65,080
Management fees	214,590	203,159
Others	266,230	244,951
Total fees and service income	553,173	513,190
Total fees and service expenses	(56,707)	(47,078)
Fees and service income - net	496,466	466,112

## 22. Net gains on trading and foreign exchange transactions

(Unit: Thousand Baht)

	For the years ended 31 March	
	2018	2017
Gain on foreign currencies and derivatives relating to foreign exchange	1,172,370	801,829
Gain (loss) on derivatives relating to interest rate	(591,572)	480,224
Gain (loss) on adjust fair value of credit risk on derivatives	(50,664)	137,861
Total	530,134	1,419,914

## 23. Bad debts and doubtful accounts (reversal)

(Unit: Thousand Baht)

	For the years ended 31 March	
	2018	2017
Bad debts and doubtful accounts (reversal) on:		
Interbank and money market items	30,576	(8,635)
Loans to customers	(223,617)	226,589
Other receivables	(64)	61
Total	(193,105)	218,015

## 24. Deferred tax assets and liabilities/Income tax expenses

### 24.1 Deferred tax assets and liabilities

As at 31 March 2018 and 2017, deferred tax assets and liabilities comprise:

(Unit: Thousand Baht)

	31 March 2018	31 March 2017
Deferred tax assets*	122,787	107,178
Deferred tax liabilities*	56,228	80,782
Deferred tax assets (liabilities) - net	66,559	26,396

\* As at 31 March 2018 and 2017, the balances presented net of deferred tax assets and liabilities on available-for-sale investments, which were matured in the same period by Baht 1 million and Baht 8 million, respectively.

(Unit: Thousand Baht)

For the year ended 31 March 2018

	Beginning balances	Recognised in profit or loss	Recognised in other comprehensive income	Ending balances
Deferred tax assets arose from:				
Credit/debit valuation adjustments				
on derivatives	18,622	10,133	-	28,755
Available-for-sale investments	17,260	-	(12,907)	4,353
Intangible assets and leasehold improvements and equipment	18,603	6,595	-	25,198
Provisions for liabilities	46,410	4,554	-	50,964
Others	13,986	737	-	14,723
<b>Total deferred tax assets</b>	<b>114,881</b>	<b>22,019</b>	<b>(12,907)</b>	<b>123,993</b>
Deferred tax liabilities arose from:				
Available-for-sale investments	68,501	-	(29,235)	39,266
Amortisation of removal and restoration costs	19,984	(1,816)	-	18,168
<b>Total deferred tax liabilities</b>	<b>88,485</b>	<b>(1,816)</b>	<b>(29,235)</b>	<b>57,434</b>
<b>Net</b>	<b>26,396</b>	<b>23,835</b>	<b>16,328</b>	<b>66,559</b>

(Unit: Thousand Baht)

For the year ended 31 March 2017

	Beginning balances	Recognised in profit or loss	Recognised in other comprehensive income	Ending balances
Deferred tax assets arose from:				
Credit/debit valuation adjustments				
on derivatives	46,194	(27,572)	-	18,622
Available-for-sale investments	272,763	-	(255,503)	17,260
Intangible assets and leasehold improvements and equipment	1,254	17,349	-	18,603
Provisions for liabilities	26,351	11,224	8,835	46,410
Others	1,400	12,586	-	13,986
<b>Total deferred tax assets</b>	<b>347,962</b>	<b>13,587</b>	<b>(246,668)</b>	<b>114,881</b>
Deferred tax liabilities arose from:				
Available-for-sale investments	143,815	-	(75,314)	68,501
Amortisation of removal and restoration costs	-	19,984	-	19,984
<b>Total deferred tax liabilities</b>	<b>143,815</b>	<b>19,984</b>	<b>(75,314)</b>	<b>88,485</b>
<b>Net</b>	<b>204,147</b>	<b>(6,397)</b>	<b>(171,354)</b>	<b>26,396</b>

## 24.2 Income tax expenses

Income tax expenses for the years ended 31 March 2018 and 2017 were made up as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2018	2017
<b>Current income tax</b>		
Corporate income taxes for the years	463,565	498,443
<b>Deferred taxes</b>		
Deferred taxes relating to origination and reversal of temporary differences	(23,835)	6,397
Income tax expenses recognised in profit or loss	439,730	504,840

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 March 2018 and 2017 and the applicable tax rate were as follow:

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2018	2017
Accounting profits before income tax expenses	2,352,690	1,729,214
Applicable corporate income tax rate	20%	20%
Accounting profits before income tax expenses multiplied by applicable tax rate	470,538	345,843
Net tax effect on income not taxable or expenses not deductible in determining taxable profits	(30,808)	158,997
Income tax expenses recognised in profit or loss	439,730	504,840

## 25. Provident fund

The Bank and its employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is contributed by the employees at the rate of 5 - 15 percent of the employee's salary and by the Bank at a rate of 5 - 10 percent of the employees' salary. The fund will be paid to the employees upon termination of employment in accordance with the rules of the fund. During 2018 and 2017, the Bank contributed approximately Baht 24 million and Baht 21 million, respectively to the fund.



## 26. Cash and cash equivalents

	(Unit: Thousand Baht)	
	31 March 2018	31 March 2017
Cash	3,616	7,113
Interbank and money market items - deposits at banks	3,589,307	2,449,039
Total cash and cash equivalents	<u>3,592,923</u>	<u>2,456,152</u>

## 27. Related party transactions

The Bank has had significant business transactions with its head office, other branches under the same entity and certain related companies, related by way of common shareholders and/or common directors. Such significant transactions, which have been concluded on the terms and basis as determined by the Bank and those parties, are summarised below.

### 27.1 Transactions with related parties occurred during the years

	(Unit: Thousand Baht)			
	For the years ended		Pricing policy	
	31 March			
	2018	2017	2018	2017
<b>Transactions with other related companies in Mizuho Financial Group</b>				
Losses on financial derivative contracts	110,586	215,664	At the rates stipulated in the contracts	At the rates stipulated in the contracts
<b>Transactions with head office and other branches under the same entity<sup>(1)</sup></b>				
Interest income from lendings	80,773	272,888	At interest rates between 0.01 - 1.70 percent per annum	At interest rates between 0.68 - 1.57 percent per annum
Interest expenses on borrowings	2,538,271	1,674,406	At interest rates between 0.01 - 2.65 percent per annum	At interest rates between 0.01 - 2.33 percent per annum
Gains on financial derivative contracts	56,025	494,131	At the rates stipulated in the contracts	At the rates stipulated in the contracts
Expenses allocated from head office	520,553	631,358	As per invoices charged from head office	As per invoices charged from head office

<sup>(1)</sup> The amounts presented are net amount of all entities

## 27.2 Outstanding balances with related parties

As at 31 March 2018 and 2017, the outstanding balances with related parties were as follows:

	(Unit: Thousand Baht)	
	31 March 2018	31 March 2017
<b>Balances with other related companies in</b>		
<b>Mizuho Financial Group</b>		
Deposits	4,056	54,136
Off-balance items - financial derivative contracts <sup>(1)</sup>	24,247,538	42,099,011
<b>Balances with other related banks in Mizuho Financial Group</b>		
Interbank and money market items - assets	74,718	657
Interbank and money market items - liabilities	87,533	81,647
<b>Net balances of inter-office accounts with head office and other branches under the same entity<sup>(2)</sup></b>		
Borrowings and accrued interest payables	96,679,616	39,036,523
Deposits/inter-office balances - assets (liabilities)	691,302	956,392
Off-balance items - financial derivative contracts <sup>(1)</sup>	289,590,922	219,525,255
Funds remitted into Thailand	92,502,731	90,914,219

<sup>(1)</sup> Amounts presented are notional amounts.

<sup>(2)</sup> The amounts presented are net amount of all branches.

## 28. Operating segments

For management purposes, the Bank is organised into business units based on its products and services and has the following 2 reportable segments:

1. Banking business : Provision of financial services, in the form of loans and related services
2. Treasury business: Responsible for asset and liability management activities of the Bank.

The Bank's operations are mainly carried on in Thailand.

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment.

The operating results presented by operating segment for the years ended 31 March 2018 and 2017 were as follows:

(Unit: Million Baht)

	For the year ended 31 March 2018		
	Banking business	Treasury business	Total
Net interest income	3,553	(28)	3,525
Net fees and service income	509	(13)	496
Net gain (loss) on trading and foreign exchange transactions	1,456	(925)	531
Total operating income	5,518	(966)	4,552
Total operating expenses	(2,229)	(164)	(2,393)
Profit (loss) from operation before bad debts and doubtful accounts and income tax expenses	3,289	(1,130)	2,159
Bad debt and doubtful accounts and income tax expenses			(246)
Profit for the year			1,913

(Unit: Million Baht)

	For the year ended 31 March 2017		
	Banking business	Treasury business	Total
Net interest income	3,110	(741)	2,369
Net fees and service income	479	(13)	466
Net gain (loss) on trading and foreign exchange transactions	1,541	(120)	1,421
Total operating income	5,130	(874)	4,256
Total operating expenses	(2,153)	(156)	(2,309)
Profit (loss) from operation before bad debts and doubtful accounts and income tax expenses	2,977	(1,030)	1,947
Bad debt and doubtful accounts and income tax expenses			(723)
Profit for the year			1,224

As at 31 March 2018 and 2017, assets classified by operating segment were as follows:

(Unit: Million Baht)

	Banking business	Treasury business	Total
Total assets			
As at 31 March 2018	428,245	31,545	459,790
As at 31 March 2017	404,383	29,210	433,593

## 29. Financial position and results of operations classified by domestic and foreign activities

### 29.1 Financial position classified by type of operations

(Unit: Million Baht)

	As at 31 March					
	2018			2017		
	Domestic operations	Foreign operations	Total	Domestic operations	Foreign operations	Total
<b>Total assets</b>	456,635	3,155	459,790	431,611	1,982	433,593
Interbank and money market items						
- net	91,453	2,268	93,721	57,133	1,346	58,479
Investments - net	108,183	-	108,183	114,334	-	114,334
Loans to customers and accrued interest receivables - net	241,574	807	242,381	245,659	427	246,086
<b>Total liabilities</b>	247,701	3,722	251,423	286,035	535	286,570
Deposits	226,740	3,022	229,762	271,301	21	271,322
Interbank and money market items						
- net	1,981	88	2,069	1,141	81	1,222

### 29.2 Results of operations classified by type of operations

(Unit: Million Baht)

	For the years ended 31 March					
	2018			2017		
	Domestic operations	Foreign operations	Total	Domestic operations	Foreign operations	Total
Interest income	8,727	182	8,909	9,387	313	9,700
Interest expenses	(2,905)	(2,479)	(5,384)	(5,655)	(1,676)	(7,331)
Net interest income	5,822	(2,297)	3,525	3,732	(1,363)	2,369
Net fees and service income	362	134	496	389	77	466
Other operating income	347	184	531	707	714	1,421
Other operating expenses	(1,872)	(521)	(2,393)	(1,678)	(631)	(2,309)
Bad debts and doubtful accounts	193	-	193	(218)	-	(218)
Profits from operation before income tax expenses	4,852	(2,500)	2,352	2,932	(1,203)	1,729

### 30. Commitments and contingent liabilities

#### 30.1 Commitments

	(Unit: Thousand Baht)	
	31 March 2018	31 March 2017
Aval to bills and guarantees of loans	3,839,117	4,584,249
Liability under unmatured import bills	150,789	134,198
Letter of credits	3,504,403	3,846,528
Other obligations		
- Undrawn bank overdrafts	3,610,986	3,388,782
- Undrawn commitment	27,416,433	34,492,771
- Guarantee - others	31,263,522	30,188,398
- Undrawn credit line	384,862,289	379,944,621
Total	454,647,539	456,579,547

Furthermore, the Bank had commitments in respect of foreign exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts, and currency option contracts as mentioned in Note 7 to the financial statements.

#### 30.2 Commitments under operating lease agreements

As at 31 March 2018 and 2017, the Bank had rental and related service commitments related to 1 - 5 years office lease agreements. Under the lease agreements, the Bank has an option to renew the lease period and the lessor has the right to adjust the rental fee when the lease is renewed. Future minimum lease payments required under such contracts were as follows:

	(Unit: Thousand Baht)	
	As at 31 March	
Payable within	2018	2017
1 year	88,512	65,178
1 to 5 years	129,989	16,052

Furthermore, as at 31 March 2018 and 2017, the Bank had commitments under the car rental and services agreements totaling approximately Baht 25 million and Baht 26 million, respectively.

## **31. Financial instruments**

Financial instruments are any contracts which give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Bank's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items, investments, loans to customers, deposits, liability payable on demand, debts issued and borrowings, funds remitted to Thailand - borrowings from other branches under the same entity and net balance of inter-office accounts with head office and other branches under the same entity.

The Bank enters into off-balance financial instruments in the normal course of its business in order to meet customer needs and to reduce its own exposure risk from fluctuations in foreign exchange rates and interest rates. The Bank's risk management accords with the head office's policy, which limits the scope of foreign exchange transactions and money market transactions.

### **31.1 Credit risk**

Credit risk is the risk that the party to a financial instrument will fail to fulfill its contractual obligations, causing the Bank to incur a financial loss. The maximum amount of credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the statement of financial position, and the off-balance sheet transactions exposure arising from avals and guarantees on loans and other obligations.

The Bank manages credit risk based on analysis of the capability of debtors to make payment and their financial position. In addition, the Bank manages the concentration of its loan portfolio by grading debtors by reliability of industry, and taking into consideration risk factors to ensure the effectiveness of the Bank's capital funds.

### **31.2 Market risk**

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may affect the financial position of the Bank.

#### **(a) Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate as a result of changes in market interest rates.

As at 31 March 2018 and 2017, financial assets and liabilities classified by type of interest rate were as follows:

(Unit: Million Baht)

Descriptions	31 March 2018			Total
	Floating interest rates	Fixed interest rates	Non-interest bearing	
<b>Financial assets</b>				
Cash	-	-	4	4
Interbank and money market items	3,626	86,614	3,587	93,827
Investments	45,034	62,974	-	108,008
Loans to customers	235,747	8,523	-	244,270
<b>Financial liabilities</b>				
Deposits	85,585	138,203	5,974	229,762
Interbank and money market items	13	1,967	89	2,069
Liabilities payable on demand	-	-	937	937
Funds remitted into Thailand - borrowings from other branches under the same entity	-	81,832	-	81,832
Net balance of inter-office accounts with head office and other branches under the same entity	(925)	96,350	563	95,988

(Unit: Million Baht)

Descriptions	31 March 2017			Total
	Floating interest rates	Fixed interest rates	Non-interest bearing	
<b>Financial assets</b>				
Cash	-	-	7	7
Interbank and money market items	7,599	48,538	2,429	58,566
Investments	43,049	71,029	-	114,078
Loans to customers	236,270	11,999	-	248,269
<b>Financial liabilities</b>				
Deposits	78,329	188,421	4,572	271,322
Interbank and money market items	7	1,129	86	1,222
Liabilities payable on demand	-	-	1,039	1,039
Funds remitted into Thailand - borrowings from other branches under the same entity	-	80,243	-	80,243
Net balance of inter-office accounts with head office and other branches under the same entity	951	38,832	(1,703)	38,080

With respect to financial instruments that carry fixed interest rates, the periods from the financial reporting date to the repricing or maturity dates (whichever is the earlier) were presented below:

(Unit: Million Baht)

	31 March 2018				Total	Weighted average interest rate (%)
	Repricing or maturity dates					
	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b><u>Financial assets</u></b>						
Interbank and money market items	83,720	2,894	-	-	86,614	1.58
Investments	14,806	44,058	4,110	-	62,974	0.81
Loans to customers	4,552	3,412	-	559	8,523	3.30
<b><u>Financial liabilities</u></b>						
Deposits	125,770	12,416	17	-	138,203	1.33
Interbank and money market items	1,967	-	-	-	1,967	1.38
Funds remitted into Thailand - borrowings from other branches under the same entity	74,774	7,058	-	-	81,832	2.02
Net balance of inter-office accounts with head office and other branches under the same entity	82,419	13,931	-	-	96,350	1.75

(Unit: Million Baht)

	31 March 2017				Total	Weighted average interest rate (%)
	Repricing or maturity dates					
	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b><u>Financial assets</u></b>						
Interbank and money market items	48,465	73	-	-	48,538	1.50
Investments	28,311	28,482	14,236	-	71,029	1.42
Loans to customers	7,688	4,272	-	39	11,999	3.28
<b><u>Financial liabilities</u></b>						
Deposits	158,149	30,272	-	-	188,421	1.40
Interbank and money market items	1,129	-	-	-	1,129	1.15
Funds remitted into Thailand - borrowings from other branches under the same entity	72,457	7,786	-	-	80,243	1.43
Net balance of inter-office accounts with head office and other branches under the same entity	39,277	(445)	-	-	38,832	1.33



In addition, the Bank has interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Bank and the average rate of interest for the years ended 31 March 2018 and 2017 can be summarised as follows:

(Unit: Million Baht)

	For the years ended 31 March					
	2018			2017		
	Average balances	Interest	Average rate (Percent per annum)	Average balances	Interest	Average rate (Percent per annum)
<u>Interest bearing financial assets</u>						
Interbank and money market items and inter-office accounts with head office and other branches under the same entity	84,617	1,156	1.37	168,086	2,443	1.45
Investments	110,552	1,960	1.77	120,779	2,183	1.81
Loans to customers	252,495	5,789	2.29	250,394	5,071	2.03
<u>Interest bearing financial liabilities</u>						
Deposits	235,964	2,212	0.94	339,986	4,314	1.27
Debt issued and borrowings	-	-	-	68	1	1.24
Interbank and money market items and borrowings and inter-office accounts with head office and other branches under the same entity	103,129	2,303	2.23	170,013	1,488	0.87

(b) Foreign exchange risk

Foreign exchange risk is the risk that changes in exchange rates will result in changes in the values of financial instruments, fluctuations in revenues or in the values of financial assets and financial liabilities.

As at 31 March 2018 and 2017, the Bank's significant foreign currency positions were summarised as follows:

(Unit: Million Baht)

	31 March 2018				31 March 2017			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	US				US			
	Dollar	Euro	Yen	Others	Dollar	Euro	Yen	Others
<b>Foreign currency position in</b>								
<b><u>the statement of financial position</u></b>								
<b>Financial assets</b>								
Interbank and money market items	7,603	533	-	964	8,150	295	4	477
Investments	26,391	-	-	-	33,417	-	-	-
Loans to customers and accrued interest receivables	91,327	67	10,317	7,781	115,168	247	1,890	287
<b>Financial liabilities</b>								
Deposits	62,297	545	3,365	793	37,350	400	2,125	306
Interbank and money market items	-	-	-	-	345	-	-	-
Liabilities payable on demand	316	2	83	13	542	1	89	5
Funds remitted into Thailand - borrowings from other branches under the same entity	81,832	-	-	-	80,243	-	-	-
Net balance of inter-office accounts with head office and other branches under the same entity	95,449	2,237	1,279	503	45,869	3,530	(8,740)	632

(Unit: Million Baht)

	31 March 2018				31 March 2017			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	US				US			
	Dollar	Euro	Yen	Others	Dollar	Euro	Yen	Others
<b>Foreign currency position of obligations</b>								
Liability under unmatured import bills	146	5	-	-	134	-	-	-
Guarantees	6,771	1,308	4,821	1,662	8,962	1,249	5,223	840
Letters of credit	2,917	44	467	3	2,905	46	87	41
Foreign exchange contracts								
- Bought	269,475	2,510	23,992	3,206	178,973	4,802	10,156	2,759
- Sold	186,740	2,563	31,778	3,205	238,738	4,945	12,678	2,910
Cross currency and interest rate swap contracts								
swap contracts								
- Bought	157,983	287	34,112	7,778	202,838	274	27,383	15,995
- Sold	124,503	287	32,899	7,778	133,189	274	26,967	15,995
Interest rate swap contracts								
- Bought	240,203	-	4,010	-	209,586	-	3,950	-
- Sold	240,203	-	4,010	-	209,586	-	3,950	-
Currency option contracts								
- Bought	689	-	-	-	220	-	-	-
- Sold	689	-	-	-	220	-	-	-

## (c) Securities price risk

Securities price risk is the risk that changes in the market prices of securities will result in fluctuations in revenues or in the values of financial assets. The maximum amount of securities price risk exposure is the carrying amount of investments as stated in the statement of financial position.

### 31.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to liquidate their financial assets or procure sufficient funds to discharge their obligations in a timely manner, resulting in the incurrence of a financial loss.

As at 31 March 2018 and 2017, the periods to maturity, counting from the financial position date, of financial instruments were as follows:

(Unit: Million Baht)

Transactions	31 March 2018					Total
	At call	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	
<b><u>Financial assets</u></b>						
Cash	4	-	-	-	-	4
Interbank and money market items	5,489	82,026	326	5,986	-	93,827
Derivatives assets	-	2,133	4,771	5,832	1,108	13,844
Investments	-	14,805	47,182	41,336	4,685	108,008
Loans to customers	119	16,978	106,713	84,363	36,097	244,270
<b><u>Financial liabilities</u></b>						
Deposits	91,558	125,773	12,414	17	-	229,762
Interbank and money market items	2,054	15	-	-	-	2,069
Liabilities payable on demand	937	-	-	-	-	937
Derivatives liabilities	-	4,545	5,213	6,527	627	16,912
Funds remitted into Thailand - borrowings from other branches under the same entity	-	6,484	20,317	51,283	3,748	81,832
Net balance of inter-office accounts with head office and other branches under the same entity	673	16,700	43,456	35,278	(119)	95,988
<b><u>Off-balance items - obligations</u></b>						
Liabilities under unmatured import bills	-	151	-	-	-	151
Letters of credit	49	3,018	102	335	-	3,504
Other obligations	417,729	6,414	12,460	14,313	77	450,993

(Unit: Million Baht)

31 March 2017

Transactions	Less					Total
	At call	than 3 months	3 - 12 months	1 - 5 years	Over 5 years	
<b><u>Financial assets</u></b>						
Cash	7	-	-	-	-	7
Interbank and money market items	3,549	47,413	25	7,579	-	58,566
Derivatives assets	-	4,369	2,421	5,210	1,020	13,020
Investments	-	32,445	41,750	34,715	5,168	114,078
Loans to customers	170	10,374	112,193	102,450	23,082	248,269
<b><u>Financial liabilities</u></b>						
Deposits	82,901	158,336	30,085	-	-	271,322
Interbank and money market items	875	347	-	-	-	1,222
Liabilities payable on demand	1,039	-	-	-	-	1,039
Derivatives liabilities	-	2,540	2,963	3,659	641	9,803
Funds remitted into Thailand - borrowings from other branches under the same entity	-	7,386	6,708	66,149	-	80,243
Net balance of inter-office accounts with head office and other branches under the same entity	(1,476)	7,082	24,476	7,832	166	38,080
<b><u>Off-balance items - obligations</u></b>						
Liabilities under unmatured import bills	-	133	1	-	-	134
Letters of credit	83	3,026	738	-	-	3,847
Other obligations	420,413	6,189	10,248	15,669	80	452,599

### 31.4 Fair value

As at 31 March 2018 and 2017, the Bank had financial assets and liabilities, which were presented according to the fair value hierarchy as follows:

(Unit: Million Baht)

	31 March 2018			
	Carrying value	Fair value		
		Level 1	Level 2	Total
<b><u>Financial assets and liabilities measured at fair value</u></b>				
Derivatives assets	13,759	-	13,759	13,759
Investments	108,183	-	108,183	108,183
Derivatives liabilities	13,637	-	13,637	13,637
<b><u>Financial assets and liabilities for which fair value were disclosed</u></b>				
Cash	4	4	-	4
Interbank and money market items (assets)	93,721	11,125	82,596	93,721
Derivatives assets	85	-	85	85
Loans to customers	242,381	233,858	8,523	242,381
Deposits	229,762	91,559	138,203	229,762
Interbank and money market items (liabilities)	2,069	102	1,967	2,069
Liabilities payable on demand	937	937	-	937
Derivatives liabilities	3,275	-	3,275	3,275
Funds remitted into Thailand - borrowings from other branches under the same entity	81,832	-	81,832	81,832
Net balance of inter-office accounts with head office and other branches under the same entity	95,988	(361)	96,349	95,988

(Unit: Million Baht)

31 March 2017

	Carrying value	Fair value		Total
		Level 1	Level 2	
<b><u>Financial assets and liabilities measured at fair value</u></b>				
Derivatives assets	12,027	-	12,027	12,027
Investments	114,334	-	114,334	114,334
Derivatives liabilities	9,255	-	9,255	9,255
<b><u>Financial assets and liabilities for which fair value were disclosed</u></b>				
Cash	7	7	-	7
Interbank and money market items (assets)	58,479	9,941	48,538	58,479
Derivatives assets	993	-	993	993
Loans to customers	246,086	234,087	11,999	246,086
Deposits	271,322	82,901	188,421	271,322
Interbank and money market items (liabilities)	1,222	93	1,129	1,222
Liabilities payable on demand	1,039	1,039	-	1,039
Derivatives liabilities	548	-	548	548
Funds remitted into Thailand - borrowings from other branches under the same entity	80,243	-	80,243	80,243
Net balance of inter-office accounts with head office and other branches under the same entity	38,080	(752)	38,832	38,080

## Valuation techniques and inputs used for fair value measurement

Cash	Fair value is determined to approximate to its carrying value as stated in the statement of financial position.
Interbank and money market items (assets)	Fair value is determined to approximate to their carrying value as stated in statement of financial position due to having short-term maturity periods or bearing floating interest rates.
Derivatives	Fair value of derivatives is determined based on quoted market price in active markets. In case that there is no active market, the fair value is determined using valuation technique and observable market data (e.g. interest rate, foreign exchange rate) obtained from reliable sources and adjusted with counterparty credit risk and other risks when appropriate.
Investments	Investment in government market, the fair and state enterprise debt securities, the fair value is determined using government yield curves or bid prices from the Thai Bond Market Association. The fair value of investments in foreign debt securities is determined using bid prices from Bloomberg. If it is not available, indicative price from custodian is used.
Loans to customers	<p>Fair value of floating interest rate loans is determined to approximate their carrying value as stated in the statement of financial position, net of deferred revenue and allowances for doubtful accounts.</p> <p>Fair value of fixed interest rate loans is determined by discount cash flow method using relevant market interest rates and the then-determined fair value does not significantly differ from the carrying value.</p>



Deposits and Interbank and money market items (liabilities)	Fair value is determined to approximate their carrying value as stated in the statement of financial position. The majority of them carries fixed interest rate and the repricing period is less than one year.
Liabilities payable on demand	Fair value is determined to approximate their carrying value as stated in the statement of financial position due to having short-term maturity periods.
Funds remitted into Thailand - borrowings from other branches under the same entity	Fair value is determined approximate their carrying value as stated in the statement of financial position. The majority of them carries fixed interest rate and the repricing period is less than one year.
Net balance of inter-office accounts with head office and other branches under the same entity	Fair value is determined approximate their carrying value as stated in the statement of financial position. The majority of them carries fixed interest rate and the repricing period is less than one year or the outstanding balance of which are inter-company transactions that are due on call.

During the current year, the Bank did not transfer any items among fair value hierarchy levels.

### 31.5 Financial derivatives

The Bank enters into financial derivatives as required in the normal course of its business, in order to response to customer needs and to manage the risk of the Bank which will be incurred from the fluctuations in exchange rates and interest rates.

As at 31 March 2018 and 2017, the Bank's financial derivatives can be classified by period to maturity as follows:

(Unit: Million Baht)

	31 March 2018			31 March 2017		
	Less than	Over	Total	Less than	Over	Total
	1 year	1 year		1 year	1 year	
Foreign exchange contracts						
Bought	474,696	2,320	477,016	435,211	1,717	436,928
Sold	475,298	2,350	477,648	433,073	1,729	434,802
Cross currency and interest rate swap contracts						
Bought	171,582	160,558	332,140	143,418	232,528	375,946
Sold	173,627	160,559	334,186	144,566	232,025	376,591
Interest rate swap contracts						
Bought	272,927	416,424	689,351	230,939	435,899	666,838
Sold	272,927	416,424	689,351	230,939	435,899	666,838
Currency option contracts						
Bought	689	-	689	220	-	220
Sold	689	-	689	220	-	220

### 32. Approval of financial statements

These financial statements were authorized for issue by the General Manager of Bangkok Branch on 31 July 2018.